

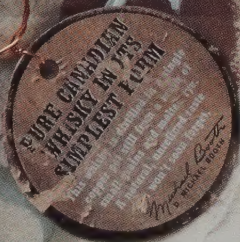
AR66

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spiritmaker

Corby annualreport1998

No. 5152



vodka · liqueur · Whisky

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Corby Distilleries Limited, the **spirit maker**, is the leading marketer of spirits and imported wines in Canada. Corby, is renowned for the quality of its brands, and recognized for the value it creates for shareholders. Corby is continuously creating a culture of excellence, in its portfolio of owned and represented brands, in its marketing and manufacturing of products, and its focus on returns to shareholders. The portfolio of excellence that began with the founding of Corby in 1859 has grown over seven generations to include dozens of Canadian and international brands, including many of the most recognized and respected in the industry. From Canadian Club, the dominant premium Canadian whisky brand in the country, to Polar Ice vodka, the single fastest growing brand in North America, the Corby portfolio delivers for every taste, in every demographic segment. Altogether, Corby commands a 27 percent share of spirit sales in Canada, number one in the industry. But the Spirit Maker does not take its market leadership for granted. In fiscal 1998, Corby introduced the Whisky Guild, three superb premium plus whiskies, that received two prestigious marketing awards. Innovation is the key to renewing market segments. With its 45 percent interest in Tia Maria, and its affiliation with Allied Domecq PLC, the international side of Corby has strong fundamentals to build on. And with volume exceeding 1 million cases, Corby is Canada's leading importer of wines. Corby, the Spirit Maker. Providing value for customers and shareholders. Creating occasions, and leaving a rich legacy of mementoes.

highlights of the year

The Corporation successfully endorsed a **renewed strategy** whereby growth would be derived organically.

The Corporation brought **important improvements to its capital structure** which led to the payment of special dividends totaling \$16.50 per share, as well as, an increase in its annual regular dividend from \$1.40 per share to \$2.00 per share.

The Corporation, in a market where sales essentially flat, **grew its market share to 27%.**

financial highlights

(in thousands of dollars, except per share amounts)

For the years ended August 31, 1998 and 1997

Results

	1998	1997
Gross operating revenue	\$97,249	\$92,062
Earnings from operations	30,111	32,414
Earnings before income taxes	40,565	43,860
Net earnings	27,799	28,528
Cash provided from operating activities	32,035	21,265

Financial position at balance sheet date

Working capital	\$62,836	\$92,098
Total assets	101,735	161,878
Shareholders' equity	44,830	144,617

Per common share

Net earnings	\$ 3.98	\$ 4.06
Dividends declared and paid	18.23	1.28
Shareholders' equity	6.42	20.76

Financial ratios

Working capital	6.1	7.1
Debt/equity	1.0	Nil
Return on average shareholders' equity	29.3%	20.9%
Pre-tax return on average capital employed	34.3%	31.6%





spirit maker. More than a corporate statement, it captures the very essence of Corby Distilleries Limited. It's an integral part of the Corby brand. **It says who we are, and what we do.** Who we are is the number one maker and marketer of spirits and imported wines in Canada. What we do is provide quality for our customers, and value for our shareholders. Our mission is to sustain our position of leadership. Our commitment is to be the best in the industry. With the best products, the best people, and the best results. Spirit Maker also captures the proud achievements of our past, and the bright promise of our future. **It is our bridge from the last century to the next one.** Founded by Henry Corby in 1859, the Corporation has for seven generations been building the equity value of our brand names, building a relationship of trust with our customers, and building a reputation for results with shareholders. The process of building brand equity, trust and shareholder value is a continuum. These permanent attributes of our corporate culture are benchmarks by which we measure our performance on an annual basis.

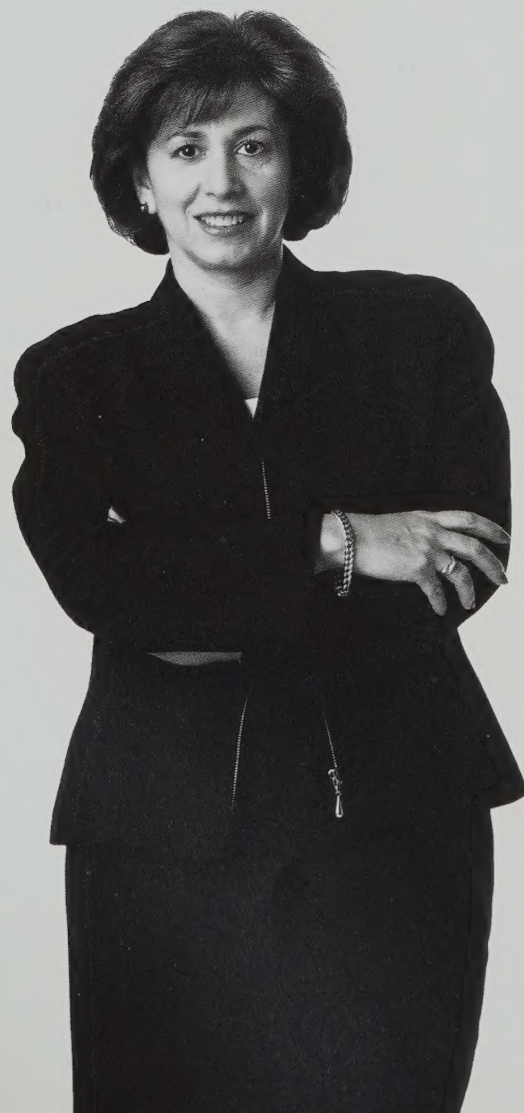
From left to right: John A. Giffen, Chairman of the Board Krystyna T. Hoeg, CA, President and Chief Executive Officer James Keon, Executive Vice President Christophe Chan, Vice President, Strategic Planning and Commercial Services John Nicodemo, CA, Vice President, Finance Alain Baccanale, CA, Vice President, Commercial Projects.



By all those benchmarks, Corby has achieved strong results again in fiscal 1998. By volume, we outpaced the industry average. And in an industry where sales were essentially flat, we grew market share by half of one percent to reach a 27 percent share of industry sales. We have made a strategic decision to grow organically rather than by acquisition, building on the strengths of owned and represented brands that have made **Corby the industry leader, number one in Canada.** The synergies between our proprietary brands, and those we proudly represent, are apparent from retail outlets, which represent about 80 percent of sales, to restaurants and bars, where our brands have remarkable acceptance and visibility in a highly competitive environment. From spirits to wines, among all ages and in all categories, the Corby family of brands have built from strength to strength in the marketplace. There is tremendous excitement, and real growth potential for the industry in Canada. Corby continues to dominate the Canadian whisky market, with market share of 42 percent, in a market segment that accounts for 27 percent of all spirit sales in Canada. There has been a remarkable return to Canadian origins among entry-level consumers, reflected in the 12 percent growth of sales by Hiram Walker Canadian Club, the largest selling Canadian whisky in the country. Known world-wide as "CC", this proud Canadian brand is being discovered by a new generation of Canadians. The Whisky Guild, three superb premium plus whiskies, were introduced to reinvigorate the Canadian whisky segment. Not only did the Whisky Guild receive high praise from consumers, it won the Best Niche Marketing Award from the Liquor Control Board of Ontario, and a gold medal for best packaging from Marketing Magazine. Among white spirits, an important growth segment of the industry, Corby is particularly gratified by strong sales of Polar Ice vodka, up by more than 40 percent over the previous year, making it one of the fastest growing brands in North America. As we look ahead, we are putting increased emphasis on our export business, particularly to the United States. We are also nurturing new entries in the wine segment of our business, particularly from the **New World wine regions** such as California, Australia and Chile. Corby is Canada's largest marketer of imported wines, and achieved impressive growth last year, with volume of over 1 million cases.

From left to right: Peter Chubb, Vice President, Government and Industry Affairs Joanne Bjarnason, Vice President, Marketing Peter Warren, Vice President and General Manager, Western Region David Stainton, Legal Counsel Mary Karamanos, Vice President, Human Resources and Corporate Secretary Yves de Repentigny, Plant Manager.

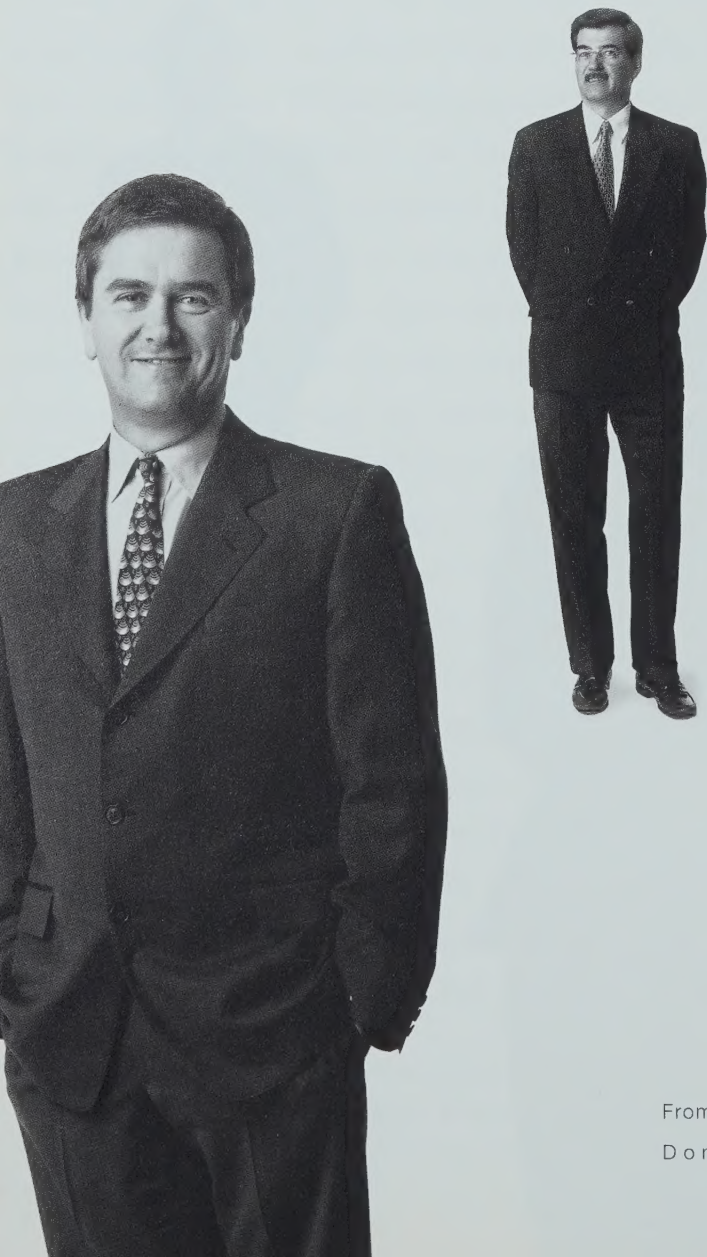
Our results, by profit and earnings per share, **were in line with expectations.** Earnings from operations, excluding one-time charges for restructuring, increased to \$34.9 million from \$33.6 million, an increase of 4 percent. Net earnings for the fiscal year ended August 31, 1998, was \$27.8 million, or \$3.98 per share, as compared with profits of \$28.5 million and earnings per share of \$4.06 for the previous fiscal year. Return on equity grew to 29 percent, up from 21 percent, one of the strongest return on equity performances in the industry. **Shareholder value received a significant boost,** both in terms of market capitalization and yield, through regular and special dividends. Corby stock closed the year at \$73 on the Toronto Stock Exchange, up from \$55 at the previous fiscal year-end, an increase of just over 33 percent. The regular dividend was increased to \$2.00 per share, up from \$1.40, an increase of 43 percent. Two special dividends of \$4.00 and \$12.50, paid during the fiscal year, represented an extraordinary yield of \$16.50 per share. A shareholder with only 100 shares realized a yield of \$1,820, or 28 percent of the stock's average market value over the fiscal year. While consolidating market share and enhancing shareholder value, we have transformed Corby from a corporate home for our brands into a marketing and sales company that is positioning itself for leadership in a new century. We have reorganized our management functions in a new executive office in the heart of downtown Toronto, at the centre of the largest market in the country. We have recruited a strong management and marketing team. And we have the Corby history of solid results that flow right to the bottom line. It all adds up to the right location, the right people and the right balance sheet. **It's an exciting and challenging time to be working for Corby.**



We have also given a broader mandate to our manufacturing facility in Montreal, resulting in increased productivity and decreased downtime. It is a tribute to the focus of our employees, at head office, and manufacturing as well as in marketing and sales, that we have maintained and enhanced Corby's leadership position through a period of transition. I want to thank all our employees for their professionalism in delivering a seamless set-up of our new executive office, where more than two-thirds of our staff are new members of the Corby family. **I think of our former, continuing and new employees as a relay team who have finished first.** I want to thank the Board of Directors for their vision and support. I particularly want to thank two valued directors, Roger Lachappelle and Roy Kendall, who will be retiring at the next annual general meeting. We will miss their wise counsel and good humour. We warmly welcome Garth M. Girvan to the Board. Last year's annual report marked the introduction of Spirit Maker. Appropriately, the report itself won an international award for excellence from the judges of Creativity 28 in New York. This year's annual report suggests occasions and mementoes, occasions on which our customers express confidence in Corby brands, and the mementoes resulting from those occasions. This is where we see Corby, the Spirit Maker, a positive presence in the lives of our customers, employees and shareholders alike.



Krystyna T. Hoeg, CA, President and Chief Executive Officer



From left to right: Howard Kirke, Vice President and General Manager, Central Region
Donald Hynes, Vice President and General Manager, Eastern Region.



CORBY'S WORLD OF WHISKIES: Canadian Club Canadian Club Classic Meaghers 1878 Royal Reserve Silk Tassel Walker's Special Old Wiser's DeLuxe Wiser's Special Blend Wiser's Very Old Gooderham & Worts Ltd. Lot No. 40 Pike Creek Tullamore Dew Ballantine's Finest Laphroaig Scapa Teacher's Highland Cream The Glendronach Maker's Mark

WHITE SPIRITS... SHAKEN OR STIRRED: Crystal Grand Duke Polar Ice Red Tassel Government House Lamb's Navy Lamb's Palm Breeze Lamb's Spiced Lamb's White Lemon Hart London Dock Beefeater Crystal De Kuyper Geneva Sauza

LIQUEURS AND EAUX DE VIE: Carolans Irish Cream De Kuyper Drambuie Frangelico Hiram Walker Irish Mist McGuinness Meaghers Opal Nera Kahlúa Tia Maria DK Shooters Kahlúa Combos McGuinness Black Russian McGuinness Long Island Iced Tea McGuinness Margarita Salvador's Margarita Courvoisier Hennessy Barclay's D'Eaubonne Raynal Stock 84

CORBY'S VINTAGE CELLAR: Moët & Chandon Domaine Chandon Freixenet Folanari Ruffino Giacondi Settesoli Planeta Calvet Bichot Tarride Atlas Peak Callaway Clos du Bois William Hill Balbi Tarapaca Terra Nova Kendermann Seppelt Caves Allança Cockburn's Harveys Stock Vermouth



portfolio of excellence

portfolio of excellence

CORBY'S WORLD OF WHISKIES: Canadian Club Canadian Club Classic Meaghers 1878 Royal Reserve Silk Tassel Walker's Special Old Wiser's DeLuxe Wiser's Special Blend Wiser's Very Old Gooderham & Worts Ltd. Lot No. 40 Pike Creek Tullamore Dew Ballantine's Finest Laphroaig Scapa Teacher's Highland Cream The Glendronach Maker's Mark

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Canadian whisky remains the cornerstone of the distilled spirits market in Canada, accounting for 27 percent of the category. Corby is the dominant player, finishing the year with a 42 percent share.

As a proud inheritor of a great Canadian whisky legacy, Corby introduced three new super premium whiskies in 1998. Launched under the banner of "The Whisky Guild", Gooderham & Worts Ltd, Lot 40 and Pike Creek were created with the objective of raising the profile and perceived value of the category. These hand crafted, small batch whiskies, were designed to tempt the palate of experimenters and innovators among whisky drinkers by building on great Canadian whisky making traditions.

Canadian Club remains the best selling Canadian whisky for Corby and continues to occupy the market leadership position in Canada. Internationally renowned as "CC", the brand is attracting a new generation of Canadian consumers, reflected in its double-digit growth in sales in 1998.

corby's world of whiskies

Attracting new consumers to the whisky category is essential to renewing the franchise. The Wiser's family of whiskies 18 year old Very Old, 10-year old De Luxe and Special Blend repositioned in 1996 to reach a wider base of consumers, continued to perform well above the market.

Corby Royal Reserve, Hiram Walker Special Old and McGuinness Silk Tassel are three important popularly priced brands in the country. Like all of our master blended whiskies, they are recognized by their distinctive smooth taste, appealing to different audiences.

Corby's portfolio includes blended Scotch whiskies, Ballantine's Finest and Teacher's Highland Cream, each containing over 40 malt and grain whiskies. Superb single malts Laphroig, Scapa and The Glendronach continue to please the palates of increasing numbers of discerning consumers. With the recent addition of high quality brands from Ireland and the United States, Corby's World of Whiskies is now among the most comprehensive available. Tullamore Dew from Ireland and Maker's Mark from the heart of Kentucky's bourbon country provide more shining examples of the distiller's art.



corby's world of whiskies

At Corby's, we understand that the world of whisky is a vast and complex one. It's a world of tradition, craftsmanship, and passion. That's why we've created a world of whisky that's as diverse as the people who love it. From the finest single malts to the most complex blends, we have it all. And we've created a world of whisky that's as accessible as the people who love it. So whether you're a seasoned connoisseur or a curious beginner, you'll find something to love in our world of whisky. It's a world of discovery, of exploration, of adventure. It's a world of whisky that's as big as the world itself.



L. Jones 98

The white spirits market continues to drive overall spirits growth, as Canadians discover and rediscover the pleasures of the margarita and the martini in their many forms. Vodka accounts for 21 percent of overall spirits and its growth leads the market with year end consumer sales up 5 percent. Corby owns almost a 10 percent share of this buoyant category, and is well positioned for growth with two of its entries, value priced Red Tassel and premium Polar Ice, one of the fastest growing brands in North America. Rum accounts for almost 20 percent of the distilled spirits market. Lamb's, Corby's own rum family, is driven by market leadership in Newfoundland where Lamb's Palm Breeze is the single largest selling spirit in the province. Our portfolio, including Lemon Hart, makes up almost one in five bottles of rum sold in the Canadian marketplace today.

white spirits... shaken or stirred

One in four bottles of dry gin sold in Canada today bears the Beefeater label, one of the most widely recognized names in the category. Beefeater is the only London Dry gin presently distilled in London, England and is the number 2 brand in the country. The tequila category at under 2 percent of spirit sales grew by 9 percent to become one of the fastest developing categories. Sauza tequila, Corby's entry, and celebrating its 125th anniversary this year, accounts for almost one half of the market in Canada.





Liqueurs are the second largest growing category in the spirits market. Corby contributes measurably to this growth with a 33 percent share.

Our portfolio constitutes an array of brands from around the globe including the unmistakable flavour of Scotland's Drambuie, the rich delight of Ireland's Carolans Irish Cream, Italy's Frangelico hazelnut liqueur and Opal Nera black sambuca.

Jamaica is represented by Tia Maria, in which we have a 45 percent interest, as is Mexico by Kahlúa, the second largest selling liqueur in the country. Kahlúa and Kahlúa combos, which include Mudslide, B-52 and White Russian continue to expand at above market growth rates, owing to its popularity among entry level consumers and presence in trendy urban bars.

liqueurs and eaux de vie

Corby the proud marketer of a variety of domestically produced liqueurs sold under the Meaghers, McGuinness, de Kuyper and Hiram Walker names. Meaghers and McGuinness are renowned for their fruit flavours, creme de menthes, cacao and triple sec while Hiram Walker is the leader in peppermint schnapps. The de Kuyper portfolio was joined this past year by 4 new flavours under the DK Shooter banner. For those who seek the very best in refined taste, we are honoured to represent two of the most storied houses of cognac. Hennessy and Courvoisier combined for a leading share of more than 31 percent of cognac sales. Hennessy is recognized

and respected across Canada for the breadth of its line, ranging from traditional VS and VSOP all the way up to the exquisite and rare Richard. Courvoisier, "the Cognac of Napoléon", known for the smoothness and character of its blends, the defining characteristics of the house, stands for two hundred years of quality. Our Corporation is a major player in the brandy segment with a domestic and imported selection of labels. D'Eaubonne and Barclay's combined, make up over 47 percent of the domestic segment. Imported Stock 84 Italian brandy is the newest addition to our portfolio of eaux de vie and is the second largest selling brandy in Canada.





liqueurs and eaux de vie





Corby is Canada's largest marketer of imported wines with a volume of more than one million cases in fiscal 1998.

Across Canada, red wine, up by 13 percent, continues to outperform white wine. Red wine is projected to surpass white wine in overall popularity in the very near future. Quality is a major attribute being sought by consumers as premium wines, champagne and port sales outpaced the market. In response, Corby expanded its portfolio with the introduction of brands from both existing and new suppliers from around the globe.

From the Tuscan Estates of Ruffino, Italy's leading producer of red and white wine from vineyards in historic Florence and Folonari, known across the country for their Valpolicella Classico Superiore came a number of innovative new products. From France there were offerings from Moët et Chandon and Maison Albert Bichot. In anticipation of the millennium, Moët launched three new champagnes. Long a favourite with discerning Quebec wine lovers, Bichot is increasingly found on tables throughout Canada.


corby's vintage cellar

Corby was delighted to add to its portfolio, Clos du Bois and Callaway, two of the finest products from California. With Seppalt from Australia and Chile's Viña Tarapaca, Corby is well placed to respond to the increasing interest in New World vintages.

Freixenet, of Spain, a supplier of long standing, expanded its popular range of sparkling wines with the addition of a mellow spumante.

After one year in the market, Bodegas Balbi, but one example of the new, has become the fastest growing Argentine winery selling to Canada. At the same time, Germany's Kendermann a solid representative of the old, has introduced their new age offering The Bend in The River to great acclaim. With each passing year, the Corby cellar fills with more fine wines, rounding the Spirit Maker's portfolio of excellence.





corby's vintage cellars

Corby's Vintage Cellars is a collection of fine wines, each with its own story. The wines are carefully selected and aged in our cellars, ensuring the highest quality. The collection includes a variety of wines, from classic to more adventurous. Each wine is a masterpiece of craftsmanship, reflecting the dedication and expertise of our winemakers. The wines are presented in elegant bottles, making them perfect for any occasion. Whether you are a wine enthusiast or simply looking for a special gift, Corby's Vintage Cellars has what you need. The wines are available in a variety of sizes, from small to large. The collection is a testament to the art of winemaking and the passion of our team. We are proud to offer you the best of our vintage cellars, and we hope you will enjoy every drop.



overview

Corby Distilleries Limited (the Corporation) produced another set of solid financial results for the year ended August 31, 1998 (fiscal 1998) while repositioning the Corporation to maximize shareholder value through improvements to the capital structure and increased dividends. Net

earnings for the year were \$27.8 million or \$3.98 per share compared with \$28.5 million or \$4.06 per share for the year ended August 31, 1997 (fiscal 1997). Excluding one-time restructuring provisions, earnings from operations increased by 4 percent to \$34.9 million from \$33.6 million.

important events

On October 22, 1997, the Corporation endorsed a strategy whereby future growth would come from increased market share coupled with improved margins on its growing portfolio of premium spirit and wine brands. Commensurate with this strategy, the Corporation announced a corporate reorganization, an early retirement program and a plan to relocate its executive offices from Montreal to Toronto in 1998. The costs to be incurred as a result of such actions have been estimated at \$5.2 million.

The Corporation continued to maximize shareholder value by aligning the capital structure with the Corporation's

strategic and operational goals and through an enhanced dividend policy. This involved a change in the capitalization structure by introducing a prudent level of borrowing. With interest rates at near historic lows and due to the tax efficiency of debt, undertaking these measures served to lower the Corporation's cost of capital. Following the implementation of these changes, the Corporation's capital structure is now consistent with similar participants in the marketplace.

During the year, the Corporation declared special dividends totaling \$16.50 per share which were sourced, in part,

from a special dividend equivalent to \$5.15 per share flowing from the Corporation's 45 percent holding in Tia Maria, which represented virtually all of Tia Maria's distributable cash. As well, the Corporation increased the regular quarterly dividend from 35 to 50 cents, or from \$1.40 to \$2.00 per share on an annual basis which translates into an annual payout of approximately 50 percent of the Corporation's current earnings level. Both the special and regular dividend distributions are consistent with the Corporation's history of returning surplus cash to its shareholders.

financial results

Net earnings amounted to \$27.8 million or \$3.98 per share for fiscal 1998 compared with \$28.5 million or \$4.06 per share for the corresponding period last year. Excluding the one-time restructuring provisions in both years, net earnings increased from \$29.2 million to \$30.5 million. Fiscal 1998 results include a charge to earnings of \$4.8 million before tax (\$2.7 million after tax) stemming primarily from the restructuring activities associated with the corporate reorganization. Fiscal 1997 results included a charge of \$1.2 million before tax (\$0.7 million after tax) for the cancellation of an agency agreement. Excluding the effects of one-time restructuring provisions, the increase in earnings from operations was largely attributable to the Corporation's ability to grow operating revenues through sustained brand investment while controlling operating costs.

Gross operating revenue, comprised of sales and commission income, amounted to \$97.2 million for fiscal 1998 compared with \$92.1 million for fiscal 1997, an increase of 6 percent. Sales amounted to \$82.6 million this year compared with \$78.6 million last year, an improvement in excess of 5 percent. This improvement was due primarily to a 6 percent increase

in volume offset by a general 1 percent decrease in selling prices. Commissions increased 9 percent from \$13.5 million to \$14.6 million primarily on the strength of volume growth. The Corporation ended the fiscal year with a 27 percent share of the Canadian spirits market, compared with 26.5 percent for fiscal 1997.

The Corporation's consolidated gross profit margins declined from 61 percent to 59 percent as a result of marginal declines in selling prices and increases in the costs of aged whiskies. For fiscal 1998, marketing, sales and administration expenses amounted to \$27.7 million compared with \$27.2 million for fiscal 1997, an increase of 2 percent. This increase came in the form of additional brand investment in fiscal 1998 of \$2 million over fiscal 1997 offset by savings in indirect overhead costs stemming primarily from the corporate reorganization. The Corporation continues to invest behind its core brands in the form of direct brand marketing and new product development.

The Corporation's share of net earnings from companies subject to significant influence, the Tia Maria group, amounted to \$6.9 million for fiscal 1998 compared with \$9.7 million for fiscal 1997. For Tia

Maria, fiscal 1998 was a year of increased marketing investment which generated an increase in sales volumes of 7 percent. Spending on Tia Maria, in the form of direct brand marketing was up 44 percent over fiscal 1997. The size of the brand investment reduced earnings in fiscal 1998 and the Corporation's share of earnings from Tia Maria was down \$2.8 million over last year. Offsetting this, however, was the favourable impact of the realization of a \$3.7 million foreign exchange gain resulting from the payment of \$34.0 million in dividends by Tia Maria during the year.

Mid-way through fiscal 1998, the Corporation changed the capitalization structure by introducing a prudent level of borrowing. As a result, net interest expense for the year was \$0.1 million versus interest income of \$1.8 million in fiscal 1997 when the Corporation was investing excess cash in the form of interest-bearing advances to a company under common control.

The income tax provision for fiscal 1998 amounted to \$12.8 million compared with \$15.3 million for fiscal 1997. The tax provisions reflect effective tax rates of 32 percent and 35 percent for fiscal 1998 and 1997, respectively.

cash flow analysis

The Corporation's operating activities contributed \$32 million to cash for fiscal 1998 compared with \$21.3 million for fiscal 1997. The Corporation's increased working capital requirements, mainly in the form of a special \$15.6 million purchase of bulk whiskey inventory in order to meet future demand for aged whiskies, was offset by the receipt of cash dividends totaling \$34 million from Tia Maria.

The Corporation's investment activities amounted to \$0.7 million compared

with \$8.2 million for fiscal 1997. This year's investment was mainly in capital assets while \$7.4 million of last year's investment was due to the acquisition of de Kuyper Canada Inc.

Cash use for financing activities of \$83.5 million resulted from the payment of special dividends of \$16.50 per share totaling \$115.4 million, plus regular dividends of \$1.70 per share totaling \$11.9 million. Offsetting this use of funds, the Corporation issued \$43 million of long-term debt and

raised \$0.8 million from the issuance of capital stock.

The overall effect of the Corporation's operating, investing and financing activities resulted in the Corporation's cash decreasing by \$52.2 million and closing with a net cash overdraft of \$0.4 million as at August 31, 1998.

balance sheet

Working capital of \$62.8 million as at August 31, 1998 compares with \$92.1 million as at August 31, 1997. The decrease in working capital during the year is due largely to the payment of special dividends which resulted in the elimination of the Corporation's surplus cash investment balance. Offsetting this was the impact of a \$15.6 million increase in inventories due to the aged bulk whiskey purchase. The Corporation's working capital ratio as at August 31, 1998, stood at 6.1 compared with 7.1 as at August 31, 1997.

Pre-tax return on average capital employed amounted to 34.3 percent for fiscal 1998 compared with 31.6 percent for fiscal 1997.

Shareholders' equity as at August 31, 1998 amounted to \$44.8 million compared with \$144.6 million as at August 31, 1997. The Corporation's return on average shareholders' equity amounted to 29.3 percent compared with 20.9 percent a year earlier.

year 2000

The Year 2000 issue arises from computer programs that use only two digits to record the year in operation. On January 1, 2000, when the year is designated as “00”, computer systems may create erroneous data as a result of interpreting the date as another year.

The Corporation has initiated a program to prepare for the year 2000. The program is being coordinated by an internal project manager who reports to a steering committee comprised of senior

management. Most of the Corporation’s internal systems are year 2000 compliant. Other internal information systems are being reviewed and will be corrected where necessary to ensure year 2000 readiness. The Corporation has adopted a standardized testing methodology for year 2000 compliance. Based on information available at this time, the Corporation believes it has the necessary resources to identify, evaluate and implement the changes required to reduce the likelihood of

business disruption attributed to the year 2000 issue. The Corporation does not expect that costs incurred under the program will be material. Although the Corporation has a goal of achieving year 2000 readiness by the Spring of 1999, it is not possible to be certain that all aspects of the year 2000 issue that may effect the Corporation will be fully resolved, particularly those related to the efforts of customers, suppliers or other third parties.

outlook

With the merger of two major competitors completed during fiscal 1998, the Corporation faces significant competitive issues of critical mass. To date, the Corporation has maintained its position as Canada’s leading marketer of spirits and

wines. To maintain this leadership, the Corporation will have to continue to grow its market share through concerted sales and marketing, as well as by developing new owned brands and adding represented brands to the portfolio.

management's responsibility for consolidated financial statements

The accompanying consolidated financial statements of the Corporation were prepared by management in conformity with accounting principles generally accepted in Canada. The significant accounting policies, which management believes are appropriate for the Corporation, are described in the accompanying "Summary of Significant Accounting Policies." The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

Management is responsible for the integrity and objectivity of the information contained in the financial statements and the Management's Discussion and Analysis,

including that which is based on estimates and judgments when transactions affecting the current accounting period are dependent upon future events. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from losses or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board has constituted an Audit Committee whose composition consists of directors who are not

members of management. The Committee meets periodically with management, the internal auditors and the external auditors to receive reports on internal accounting controls and audit results and to review accounting principles and practices. The Committee also reviews the financial statements and the external auditors' report thereon to the Shareholders prior to submission to the Board of Directors for approval.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.

auditors' report to the shareholders

We have audited the consolidated balance sheets of Corby Distilleries Limited as at August 31, 1998 and August 31, 1997 and the consolidated statements of earnings, retained earnings and changes in financial position for the year respectively then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as

evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 1998 and August 31, 1997 and the results of its operations and the changes in its financial position for the year respectively then ended in accordance with generally accepted accounting principles.

KPMG LLP

KPMG LLP Chartered Accountants Montréal, Canada October 20, 1998

consolidated statements of earnings

(in thousands of dollars, except per share amounts)

For the years ended August 31, 1998 and 1997

Operating revenue

Sales	\$82,639	\$78,611
Commissions	14,610	13,451

Gross operating revenue

97,249 92,062

Operating costs

Cost of sales	33,910	30,632
Marketing, sales and administration	27,731	27,184
Amortization	745	632
Restructuring activities (note 3)	4,752	1,200

Total operating costs

67,138 59,648

Earnings from operations

30,111 32,414

Equity in net earnings of companies
subject to significant influence

6,861 9,654

Foreign exchange gain (note 9)

3,709

Interest income (expense)

(116) 1,792

Earnings before income taxes

40,565 43,860

Income taxes (note 4)

12,766 15,332

Net earnings

\$27,799 \$28,528

Net earnings per share

\$ 3.98 \$ 4.06

consolidated statements of retained earnings

(in thousands of dollars)

For the years ended August 31, 1998 and 1997

Retained earnings – beginning of year

\$ 134,162 \$ 119,923

Net earnings

27,799 28,528

161,961 148,451

Dividends declared and paid

127,320 8,998

Normal course issuer bid (note 5)

5,291

Retained earnings – end of year

\$ 34,641 \$ 134,162

consolidated balance sheets

(in thousands of dollars)

As at August 31, 1998 and 1997

ASSETS

Current assets

Short-term investments	—	\$ 53,068
Accounts receivable	\$ 27,562	22,103
Inventories	44,978	29,686
Prepaid expenses	2,596	2,275
	<u>75,136</u>	<u>107,132</u>

Long-term investments

9,499 37,633

Capital assets (note 6)

8,522 8,311

Deferred pension costs

3,376 3,358

Goodwill, net of accumulated amortization

5,202 5,444

\$101,735 \$161,878

LIABILITIES

Current liabilities

Outstanding cheques in excess of bank balances	\$ 447	\$ 1,292
Accounts payable and accrued liabilities	11,843	10,743
Income and other taxes payable	10	2,999
	<u>12,300</u>	<u>15,034</u>

Long-term debt (note 8)

43,000 —

Deferred income taxes

1,605 2,227

56,905 17,261

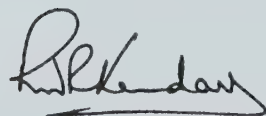
SHAREHOLDERS' EQUITY

Share capital (note 5)	9,354	8,578
Retained earnings	34,641	134,162
Cumulative translation adjustments (note 9)	835	1,877

44,830 144,617

\$101,735 \$161,878

Signed on behalf of the board



Roy W. R. Kendall, Director



Roger Lachapelle, Director

consolidated statements of changes in financial position

(in thousands of dollars)

For the years ended August 31, 1998 and 1997

Operating activities

Net earnings	\$ 27,799	\$ 28,528
Amortization	745	632
Deferred income taxes	(622)	(33)
Equity earnings lower than (in excess of) dividends received	27,092	(7,087)
Deferred pension costs	(18)	199
Change in operating working capital – net of cash	(22,961)	(974)
Cash provided from operating activities	32,035	21,265

Investment activities

Additions to capital assets	(722)	(814)
Proceeds on disposal of capital assets	8	36
Purchase of De Kuyper Canada Inc. (net of cash acquired) (note 10)	–	(7,431)
Cash used for investment activities	(714)	(8,209)

Financing activities

Dividends paid	(127,320)	(8,998)
Proceeds on issuance of long-term debt	43,000	–
Proceeds on issuance of capital stock	776	250
Normal course issuer bid	–	(5,405)
Cash used for financing activities	(83,544)	(14,153)
Net decrease in cash equivalents*	(52,223)	(1,097)

Cash equivalents* beginning of year

Cash equivalents* end of year	\$ (447)	\$ 51,776
-------------------------------	----------	-----------

*Cash equivalents are comprised of short-term investments net of outstanding cheques in excess of bank balances.

I. summary of significant accounting policies

The Corporation's accounting policies conform with accounting principles generally accepted in Canada and are summarized below:

Consolidation The consolidated financial statements include the accounts of all subsidiaries and the Corporation's equity in companies over which it exercises significant influence.

Revenue Recognition Sales and commissions are recognized upon shipment to the customer.

Foreign Currency Translation The foreign companies in which the Corporation has long-term investments are of a self-sustaining nature. Gains or losses on translation are shown as a separate component in shareholders' equity. These are calculated by translating assets and liabilities at the exchange rates in effect at the balance sheet dates and by translating revenues and expenses at the average exchange rates for the periods. The monetary assets and liabilities of the Corporation which are denominated in foreign currencies are translated at exchange rates in effect at the balance sheet dates. Revenues and expenses are translated at rates of exchange prevailing

on the transaction dates. All exchange gains or losses are recognized currently in earnings.

Inventories Inventories are stated at average cost not exceeding net realizable value. They include barreled whiskies which will remain in storage over a period of years, but which are classified as current assets in accordance with the general practice of the distilling industry.

Long-Term Investments The Corporation's 45% equity in the Tia Maria group of companies over which it exercises significant influence is accounted for using the equity method. Under this method, the original cost of the shares is adjusted for the Corporation's share of post-acquisition earnings or losses less dividends.

Capital Assets Buildings and machinery and equipment are carried at cost less accumulated amortization. Amortization is provided for on the straight-line basis over periods of one to forty years depending on the nature of the asset. One-half rates are applied to assets in the year of acquisition.

Pensions The net pension cost or credit of the various plans includes the cost of pension benefits related to employees' services during the current period and the amorti-

zation of the difference between the pension fund assets and the actuarial value of accrued pension benefits for services rendered to date. Amortization is provided for on a straight-line basis over the expected average remaining service life of the employee groups covered by the plans.

Goodwill Goodwill, representing the excess of acquisition costs over amounts assigned to net identifiable assets of companies acquired, is amortized on the straight-line basis over periods of twenty-five to forty years and written down when there has been a permanent impairment in value. The Corporation assesses at each balance sheet date whether there has been a permanent impairment in the value of goodwill. This is accomplished mainly by determining whether projected undiscounted future operating results exceed the net book value of goodwill as of the assessment date.

Post-Retirement Benefits The Corporation provides certain life insurance, medical and dental benefits to retired employees. The costs of these benefits are recognized as they are incurred by the retirees and paid by the Corporation.

2. related party transactions

Hiram-Walker & Sons Limited, a wholly owned subsidiary of Allied Domecq PLC, owns in excess of 50% of the issued voting common shares of the Corporation.

Information relative to transactions and balances with parent and affiliated companies includes the following:

2. related party transactions (continued)

COMMERCIAL TRANSACTIONS

Nature of transaction	Nature of relationship	Financial statement category	1998	1997
The Corporation renders blending and bottling services	Parent company	Sales	\$ 1,005	\$ 946
The Corporation sells certain of its products for resale at an export level	Common control companies	Sales	\$ 215	\$ 187
The Corporation renders services, as the sole and exclusive representative, for purposes of marketing and sales of beverage alcohol products in Canada	Parent company, companies subject to significant influence, ultimate parent company and common control companies	Commissions	\$10,494	\$ 9,609
The Corporation sub-contracts virtually all of its distilling, blending, bottling, storing and production administration activities	Parent company	Cost of sales	\$15,668	\$14,033
The Corporation sub-contracts an important portion of its bookkeeping, record keeping services, certain administrative services, related data processing, and maintenance of data processing activities	Parent company	Marketing, sales, and administration	\$ 1,949	\$ 1,376
The Corporation purchased bulk inventory	Parent company	Inventory / Cost of sales	\$15,630	

The transactions, which are settled the following month, are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties under the terms of agreements which expire on September 30, 1999. These agreements include a non-competition clause whereby the Corporation ceded its rights to selling beverage alcohol in bulk in favour of its parent company.

FINANCIAL TRANSACTIONS

Nature of transaction	Nature of relationship	Financial statement category	1998	1997
The Corporation invested its surplus cash in the form of commercial paper and/or interest bearing advances (note 11)	Common control company	Investment income	\$ 608	\$ 1,724

Interest on advances is determined based on the average thirty day bankers' acceptance interest rate.

notes to consolidated financial statements

For the years ended August 31, 1998 and 1997 (tabular amounts are in thousands of dollars, except per share amounts)

2. related party transactions (continued)

BALANCES	1998	1997
As at August 31		
Short-term investments:		
Interest bearing advances to a common control company	—	\$53,068
Amounts included in accounts receivable		
Parent company	—	\$ 182
Common control companies	\$ 665	313
	<u>\$ 665</u>	<u>\$ 495</u>
Amounts included in accounts payable and accrued liabilities		
Parent company	\$ 336	—
Common control companies	1,810	\$ 1,620
Companies subject to significant influence	51	94
	<u>\$ 2,197</u>	<u>\$ 1,714</u>

3. restructuring activities

During the year, the Board of Directors endorsed a realignment of the Corporation's strategy and thereby approved a reorganization of its corporate and commercial activities and a relocation of its executive offices from Montreal to Toronto. As a result of this reorganization, the Corporation has recorded a charge to earnings of \$4,252,000 for costs, such as severance payments and relocation costs. It is anticipated that the Corporation will

incur additional costs amounting to approximately \$948,000 in the next fiscal year to complete the reorganization. Furthermore, the Corporation recorded a provision amounting to \$500,000 for the reorganization of the Corporation's sales function commensurate with the new strategy.

On February 28, 1997, the Corporation cancelled its agency representation agreement with The Mark Anthony Group Inc.

and repatriated its brands. The Corporation agreed to pay The Mark Anthony Group Inc. an amount of \$1,200,000 in full and final payment to cover loss of commission income. This amount is to be paid in twelve equal and consecutive monthly payments commencing April 1, 1997. The unpaid balance of \$700,000 as at August 31, 1997 is included in accounts payable and accrued liabilities.

4. income taxes

	1998	1997
Current	\$13,388	\$ 15,365
Deferred	(622)	(33)
	<u>\$12,766</u>	<u>\$ 15,332</u>

The effective tax rates of 32% for the year ended August 31, 1998 and 35% for the year ended August 31, 1997 differ from the basic

Federal and Provincial rates due to the following:

	1998	1997
Combined basic Federal and Provincial tax rates	43%	42%
Equity in net earnings of companies subject to significant influence	(7%)	(9%)
Foreign exchange gain on dividends received from companies subject to significant influence	(4%)	—
Other	—	2%
	<u>32%</u>	<u>35%</u>

5. share capital

As at August 31	1998	1997
Number of shares authorized:		
Voting Class A Common Shares		
no par value	Unlimited	Unlimited
Non Voting Class B Common Shares		
no par value	Unlimited	Unlimited
Number of shares issued and fully paid:		
Voting Class A Common Shares	6,069	6,069
Non Voting Class B Common Shares	920	897
	6,989	6,966
Share capital	\$ 9,354	\$8,578

During fiscal 1997, the Corporation approved a normal course issuer bid to purchase up to 303,364 Voting Class A Common Shares and 76,529 Non Voting Class B Common Shares. The program expired on October 27, 1997, the Corporation repurchased 109,800 Voting Class A Common Shares and 2,900 Non Voting Class B Common Shares for an aggregate cash consideration of \$5,405,000. The excess over the stated capital of the acquired shares was charged to retained earnings.

In prior years, the Corporation established a Non Voting Class B Common Share Option Plan and set aside 200,000 Non Voting Class B Common Shares. During the current period, 12,865 options of Non Voting Class B Common Shares were cancelled (August 1997 - nil) and employee stock options were exercised for the purchase of 22,895 Non Voting Class B Common Shares (August 1997 - 8,005) for an aggregate cash consideration of \$776,000 (August 1997 - \$250,000). At August 31,

1998, options for 81,795 Non Voting Class B Common Shares (August 1997 - 103,955) had been granted and were outstanding at prices ranging from \$2.89 to \$46.39 per share. These options expire in the years 2000 to 2007.

The issuance of all the reserved shares under the Plan would not have a material diluting effect on the Corporation's earnings per share.

6. capital assets

As at August 31			1998	1997
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 638		\$ 638	\$ 638
Buildings	5,533	\$3,324	2,209	2,315
Machinery and equipment	7,246	4,863	2,383	2,148
	\$13,417	\$8,187	5,230	5,101
Assets held for resale at lower of carrying costs and net realizable value			3,292	3,210
			\$8,522	\$8,311

notes to consolidated financial statements

For the years ended August 31, 1998 and 1997 (tabular amounts are in thousands of dollars, except per share amounts)

7. pensions

The funded status of the Corporation's pension plans based on actuarial reports as at various dates updated to give effect to events to August 31, 1998 and August 31, 1997 is as follows:

	1998	1997
As at August 31		
Fair value of pension plans assets	\$37,319	\$41,307
Fair value of accrued pension benefits for services rendered to date	<u>30,529</u>	<u>29,499</u>
Fair value of plan assets in excess of accrued pension benefit obligations	<u>\$ 6,790</u>	<u>\$11,808</u>

The net pension expense for the period amounts to \$829,000 (including \$389,000 charged to restructuring activities) (August 1997 - \$474,000). The Corporation contributed to the pension plans during the year ended August 31, 1998 the amount of \$458,000 (August 1997 - \$276,000).

8. long-term debt

	1998	1997
As at August 31		
Bankers' Acceptance, interest rate of 5.9%	<u>\$43,000</u>	<u></u>

Bankers' acceptance are borrowings under a committed revolving bank credit facility that provides the Corporation the right to borrow up to \$50 million at the bankers' acceptance floating rates repayable in full on March 20, 2005.

Interest expense on long-term debt for the year was \$1,074,000 (August 1997 - nil).

9. cumulative translation adjustments

Cumulative translation adjustments represent deferred foreign exchange gains and losses on the translation of the accounts of foreign companies. These valuation adjustments are recognized in earnings only when there is a reduction in the Corporation's investment in the respective foreign companies.

	1998	1997
Balance - beginning of year	\$ 1,877	\$ 301
Foreign exchange gain on dividends received recognized in earnings	(3,709)	
Translation adjustment of long-term investments	<u>2,667</u>	<u>1,576</u>
Balance - end of year	<u>\$ 835</u>	<u>\$ 1,877</u>

IO. business acquisition

On October 11, 1996, the Corporation acquired from Cupera B.V. the totality of the issued and outstanding shares of de Kuyper Canada Inc. for a total cash consideration of \$7,431,015 including the assumption and immediate repayment of long-

term debt in the amount of \$3,000,000. This acquisition has been accounted for by the purchase method and the accounts have been consolidated from the effective date of the transaction September 1, 1996.

Net tangible assets acquired at fair value:

Non-cash working capital	\$1,854
Capital assets	2,088
Deferred pension costs	256
Deferred income taxes	(27)
	<hr/> 4,171

Acquisition cost

7,431

Goodwill, to be amortized over a period of twenty-five years

\$3,260

The net tangible assets acquired at fair value include de Kuyper's 50% share of the Meaghers de Kuyper Joint-Venture; the remaining 50% being owned by the

Corporation. In prior years, the Corporation accounted for its investment in this Joint-Venture under the proportionate consolidation method.

II. financial instruments

Credit Risk The Corporation invests virtually all of its surplus cash with a common control company in the form of interest bearing advances and/or in commercial paper rated R-1 middle (prime credit quality) by Dominion Bond Rating Service. The Corporation's accounts receivable are substantially with Provincial liquor boards which virtually eliminates credit risk.

Fair Values The financial instruments used by the Corporation are limited to short-term financial assets and liabilities and long-term debt. Short-term financial assets are comprised of short-term investments and accounts receivable. Short-term financial liabilities are comprised of outstanding cheques in excess of bank balances, accounts payable and accrued liabilities.

The carrying amounts of these short-term assets and liabilities are a reasonable estimate of the fair values, given the short-term maturity of those instruments. Long-term debt is comprised of bankers' acceptance, the carrying values of which approximate their fair values since they bear interest at a current interest rate.

12. commitments

Future minimum payments under operating leases and contractual commitments for premises and equipment for the next five years and thereafter are as follows:

As at August 31	1998	1997
1998	–	\$ 763
1999	\$ 2,107	747
2000	991	654
2001	832	478
2002	568	344
2003	385	324
Thereafter	1,907	54
	<u>\$6,790</u>	<u>\$3,364</u>

13. uncertainty due to the year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in

1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect the Corporation's ability to conduct

normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

14. segmented information

The Corporation's activities are comprised of the production of spirits, along with the distribution of spirits, imported wines and liqueurs. For the year ended August 31, 1998 and the year ended August 31, 1997, the

Corporation's gross revenue and identifiable assets are all attributable to its domestic Canadian operations. Export sales account for less than 10% of gross revenue. The Corporation's equity in net earnings

of companies subject to significant influence is derived principally from European based operations.

15. comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

ten year review

	Year ended August 31			Six month ended August 31	Year ended February 28 / 29						
	1998	1997	1996	1995	1995*	1994*	1993	1992	1991	1990	1989
Results (in millions of dollars)											
Gross operating revenue	97.2	92.1	84.5	40.6	88.4	93.4	99.5	100.3	103.7	112.9	106.6
Earnings from operations	30.1	32.4	30.4	12.5	33.4	35.6	42.4	16.6	27.6	21.2	17.4
Earnings before extraordinary item excluding after-tax restructuring costs	30.5	29.2	26.7	12.4	28.4	32.4	34.7	28.0	21.1	15.6	13.5
Net earnings	27.8	28.5	26.7	12.4	28.6	30.0	34.7	15.5	21.1	20.4	21.5
Cash provided from operations	32.0	21.3	22.4	14.0	22.3	17.6	37.5	26.5	34.4	8.3	9.3
Year end position (in millions of dollars)											
Working capital	62.8	92.1	90.4	79.8	62.8	49.2	146.9	121.8	114.1	96.8	79.8
Total assets	101.7	161.9	144.1	120.8	115.5	209.5	191.4	167.0	162.2	140.4	134.3
Long-term debt	43.0	—	—	—	—	—	—	—	—	—	—
Shareholders' equity	44.8	144.6	128.7	109.9	104.1	81.4	173.3	147.3	137.6	120.9	104.2
Per common share (in dollars)											
Net earnings before extraordinary item excluding after-tax restructuring costs	4.37	4.16	3.77	1.75	4.02	4.62	4.94	4.01	3.03	2.25	1.96
Net earnings	3.98	4.06	3.77	1.75	4.05	4.27	4.94	2.22	3.03	2.94	3.12
Cash provided from operations	4.59	3.03	3.17	1.98	3.16	2.50	5.33	3.78	4.93	1.20	1.35
Shareholders' equity	6.41	20.76	18.20	15.56	14.76	11.54	24.67	21.01	19.74	17.38	15.09
Special dividend paid	16.50	—	—	—	—	16.50	—	—	—	—	—
Dividends paid	1.70	1.28	1.24	0.62	1.15	1.12	1.07	0.88	0.76	0.72	0.70
Market value per common share (in dollars)											
High	76.50	58.00	46.00	38.00	40.00	58.13	54.00	56.00	37.00	31.38	31.50
Low	54.75	40.75	37.75	31.50	33.00	37.13	42.00	35.00	28.75	24.00	17.50
Close at end of year	73.00	55.00	43.00	37.75	33.75	37.13	48.25	51.00	36.25	29.25	31.25
Other statistics											
Working capital ratio	6.1	7.1	7.8	9.7	7.3	1.4	9.2	7.4	6.4	6.8	3.9
Pre-tax return on average capital employed	34.3	31.6	33.6	44.8	45.8	38.0	35.4	17.5	27.4	22.6	21.7
Earnings from operations as a % of gross revenue	31.0	35.2	36.0	30.7	37.8	38.1	42.6	16.5	26.6	18.8	16.3
Return on average shareholders' equity	29.3	20.9	22.3	30.3	30.8	23.6	21.6	10.9	16.3	13.8	14.1
Number of shareholders	933	985	1,068	1,136	1,174	1,192	1,308	1,369	1,513	1,661	2,227
Number of shares outstanding ('000's)	6,989	6,966	7,071	7,060	7,058	7,057	7,024	7,009	6,968	6,959	6,907
Average number of employees	155	164	148	154	153	170	173	252	425	510	570
Segmented information (in millions of dollars)											
Gross operating revenue from Canadian operations	97.2	92.1	84.5	40.6	88.4	93.4	99.5	100.3	103.7	109.4	102.2
Pre-tax earnings from Canadian operations	30.1	34.2	33.3	15.0	35.4	44.3	51.7	23.8	33.6	20.8	16.9
Net earnings before extraordinary item:											
Canadian operations	20.9	19.3	19.2	8.8	20.8	25.6	29.4	14.2	18.5	12.1	9.0
Foreign operations	6.9	9.2	7.5	3.6	7.8	4.4	5.3	1.3	2.6	3.5	4.5

* Restated

directors

Micheline Bouchard
Chairman, President and
Chief Executive Officer
Motorola Canada Limited
North York, Ontario
Year Elected 1988

John A. Giffen
Chairman of the Board
of the Corporation
Windsor, Ontario
Year Elected 1980

Garth M. Girvan
Partner
McCarthy Tétrault
Barristers and Solicitors
Toronto, Ontario
Year Elected 1998

Krystyna T. Hoeg, CA
President and
Chief Executive Officer
of the Corporation
Year Elected 1996

Martin A. Jones
President and
Chief Executive Officer
Allied Domecq Spirits, USA
Old Greenwich,
Connecticut, USA
Year Elected 1992

Roy W. R. Kendall
Management Consultant
Don Mills, Ontario
Year Elected 1988

Roger Lachapelle
Company Director
Montréal, Québec
Year Elected 1978

George F. Mc Carthy
President, The Americas
Allied Domecq Spirits
and Wine Limited
Old Greenwich
Connecticut, USA
Year Elected 1993

Jon Moramarco
President and
Chief Executive Officer
The Wine Alliance
Healdsburg
California, USA
Year Elected 1998

Fred A. Mommersteeg
Director of Business Systems-
Americas NMSC's
Allied Domecq Spirits
and Wine Limited
Windsor, Ontario
Year Elected 1998

officers

John A. Giffen
Chairman of the Board

Krystyna T. Hoeg, CA
President and
Chief Executive Officer

James Keon
Executive Vice President

Alain Baccanale, CA
Vice President, Commercial Projects

Joanne Bjarnason
Vice President, Marketing

Christopher Chan
Vice President, Strategic Planning
and Commercial Services

Peter Chubb
Vice President, Government
and Industry Affairs

Donald Hynes
Vice President and General
Manager, Eastern Region

Mary Karamanos
Vice President, Human Resources
and Corporate Secretary

Howard Kirke
Vice President and General Manager,
Central Region

John Nicodemo, CA
Vice President, Finance

Peter Warren
Vice President and General Manager,
Western Region

general information

Transfer Agent
and Registrar:
Montreal Trust Company
of Canada

Auditors:
KPMG LLP

Bankers:
The Royal Bank of Canada
Bank of Montreal

Solicitors:
McCarthy Tétrault

Annual Meeting
of Shareholders:
Wednesday January 20, 1999
at 11 o'clock in the forenoon
Le Royal Meridien King Edward
37 King Street East
Toronto, Ontario

Corbydistillerieslimited



CORBY